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109TH CONGRESS
2D SESSION

H. R. 5927

To provide energy independence to Americans, to increase the efficiency and decrease the environmental impact of America's energy policy, to increase America's research and development in energy, and to encourage the development and use of renewable forms of energy.

IN THE HOUSE OF REPRESENTATIVES

JULY 27, 2006

Mr. CARDIN introduced the following bill; which was referred to the Committee on Energy and Commerce, and in addition to the Committees on Ways and Means, Transportation and Infrastructure, Government Reform, and Science, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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A BILL

To provide energy independence to Americans, to increase the efficiency and decrease the environmental impact of America's energy policy, to increase America's research and development in energy, and to encourage the development and use of renewable forms of energy.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''American Energy Independence Act''.

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

TITLE I—AN ENERGY PLAN THAT CHANGES WITH INNOVATIONS

SEC. 101. PURPOSE AND GOALS.

It is the purpose of this Act to facilitate the achievement of the following 2 Congressional goals:

(1) ACHIEVING ENERGY INDEPENDENCE BY 2016.—Meeting all but 10 percent of the United States energy needs from domestic energy sources by 2016.

(2) ACHIEVING FOSSIL FUEL INDEPENDENCE BY 2026.—Meeting all but 20 percent of the United States energy needs from non-fossil fuel sources by 2026.

SEC. 102. ENERGY POLICY COMMISSION.

(a) ESTABLISHMENT.—There is established a commission to be known as the ''National Commission on Energy Independence'' (in this section referred to as the ''Commission'').

(b) PURPOSE.—The Commission shall conduct a comprehensive review of United States energy policy for the following purposes:

(1) REVIEW.—Reviewing relevant analyses of the current and long-term energy policy and conditions in the United States.

(2) IDENTIFYING PROBLEMS.—Identifying problems that may threaten the long-term energy policy goals of independence.

(3) ANALYZING POTENTIAL SOLUTIONS.—Analyzing potential solutions to problems that threaten the long-term ability to achieve these energy policy goals.

(4) PROVIDING RECOMMENDATIONS.—Providing recommendations that will ensure that the United States energy policy goals are met.

(c) REPORT AND RECOMMENDATIONS.—

(1) IN GENERAL.—Not later than December 31 of 2008, 2010, 2012, and 2014, the Commission shall transmit to the President and Congress a report on the progress of United States energy policy towards meeting its long-term goals of energy independence, including a detailed statement of the findings, conclusions, and recommendations of the Commission.

(2) LEGISLATIVE LANGUAGE.—If a recommendation submitted under paragraph (1) involves legislative action, the report shall include proposed legislative language to carry out such action.

(d) MEMBERSHIP.—The Commission shall be composed of 15 members of whom—

(1) 3 shall be appointed by the President;

(2) 3 shall be appointed by the majority leader of the Senate;

(3) 3 shall be appointed by the minority leader of the Senate;

(4) 3 shall be appointed by the Speaker of the House of Representatives; and

(5) 3 shall be appointed by the minority leader of the House of Representatives.

(e) CO-CHAIRPERSONS.—The President shall designate 2 Co-chairpersons from among the members of the Commission appointed, who shall not both be affiliated with the same political party.

(f) DATE.—Members of the Commission shall be appointed by not later than 90 days after the date of enactment of this Act.

(g) PERIOD OF APPOINTMENT.—Members shall be appointed for the life of the Commission. Any vacancy in the Commission shall not affect its powers, but shall be filled in the same manner as the original appointment.

(h) STAFF.—

(1) DIRECTOR.—The Commission shall have a staff headed by an Executive Director.

(2) STAFF APPOINTMENT.—The Executive Director may appoint such personnel as the Executive

Director and the Commission determine to be appropriate.

(3) EXPERTS AND CONSULTANTS.—With the approval of the Commission, the Executive Director may procure temporary and intermittent services under section 3109(b) of title 5, United States Code.

(4) FEDERAL AGENCIES.—

(A) DETAIL OF GOVERNMENT EMPLOYEES.—Upon the request of the Commission, the head of any Federal agency may detail, without reimbursement, any of the personnel of such agency to the Commission to assist in carrying out the duties of the Commission. Any such detail shall not interrupt or otherwise affect the civil service status or privileges of the Federal employee.

(B) TECHNICAL ASSISTANCE.—Upon the request of the Commission, the head of a Federal agency shall provide such technical assistance to the Commission as the Commission determines to be necessary to carry out its duties.

(5) RESOURCES.—The Commission shall have reasonable access to materials, resources, statistical data, and other information the Commission determines to be necessary to carry out its duties from

all relevant Executive Agencies. The Co-Chairpersons shall make requests for such access in writing when necessary.

TITLE II—INCREASING EFFICIENCY FOR AMERICAN CONSUMERS

SEC. 201. AUTOMOBILE AVERAGE FUEL ECONOMY STANDARDS.

(a) PHASED INCREASES IN FUEL ECONOMY STANDARDS.—

(1) PASSENGER AUTOMOBILES.—

(A) MINIMUM STANDARDS.—Section 32902(b) of title 49, United States Code, is amended to read as follows:

''(b) PASSENGER AUTOMOBILES.—Except as otherwise provided under this section, the average fuel economy standard for passenger automobiles manufactured by a manufacturer in a model year—

''(1) after model year 1984 and before model year 2009 shall be 25 miles per gallon;

''(2) after model year 2008 and before model year 2012 shall be 30 miles per gallon;

''(3) after model year 2011 and before model year 2015 shall be 35 miles per gallon;

''(4) after model year 2014 and before model year 2017 shall be 40 miles per gallon; and

''(5) after model year 2016 shall be 45 miles per gallon.''.

(B) HIGHER STANDARDS BY REGULATION.—Section 32902(c) of title 49, United States Code, is amended—

(i) in paragraph (1)—

(I) by striking ''Subject to paragraph (2) of this subsection, the'' and inserting ''The'';

(II) striking ''amending the standard'' and inserting ''increasing the standard otherwise applicable''; and

(III) by striking ''Section 553 of title 5 applies to'' and inserting the following:

''(2) Section 553 of title 5 applies to''; and

(ii) by striking paragraph (2).

(b) INCREASED INCLUSIVENESS OF DEFINITIONS OF AUTOMOBILE AND PASSENGER AUTOMOBILE.—

(1) AUTOMOBILE.—

(A) IN GENERAL.—Section 32901(a)(3) of title 49, United States Code, is amended—

(i) by striking ''6,000 pounds'' each place it appears and inserting ''12,000 pounds''; and

(ii) in subparagraph (B)—

(I) by striking ''10,000 pounds'' and inserting ''14,000 pounds''; and

(II) in clause (ii), by striking ''an average fuel economy standard'' and all that follows through ''conservation or''.

(B) SPECIAL RULE.—Section 32908(a)(1) of such title is amended by striking ''8,500 pounds'' and inserting ''14,000 pounds''.

(2) PASSENGER AUTOMOBILE.—Section 32901(a)(16) of title 49, United States Code, is amended to read as follows:

''(16) 'passenger automobile' means an automobile having a gross vehicle weight of 10,000 pounds or less that is designed to be used principally for the transportation of persons;''.

(c) CIVIL PENALTIES.—

(1) INCREASED PENALTY FOR VIOLATIONS OF FUEL ECONOMY STANDARDS.—Section 32912(b) of title 49, United States Code, is amended—

(A) by inserting ''(1)'' before ''Except as provided'';

(B) by striking ''$5'' and inserting ''the dollar amount applicable under paragraph (2)'';

(C) by redesignating paragraphs (1), (2), and (3) as subparagraphs (A), (B), and (C), respectively; and

(D) by adding at the end the following:

''(2)(A) The dollar amount referred to in paragraph (1) is $10, as increased pursuant subparagraph (B);

''(B) Effective on October 1 of each year, the dollar amount applicable under subparagraph (A) shall be increased by the percentage (rounded to the nearest 1/10 of 1 percent) by which the Consumer Price Index for all-urban consumers (published by the Department of Labor) for July of such year exceeds such price index for July of the preceding year. The amount calculated under the preceding sentence shall be rounded to the nearest $0.10.''.

(2) CONFORMING AMENDMENT.—Section 32912(c)(1) of title 49, United States Code, is amended—

(A) by striking subparagraph (B); and

(B) by redesignating subparagraphs (C) and (D) as subparagraphs (B) and (C), respectively.

(3) APPLICABILITY.—The amendments made by this section shall apply with respect to automobiles manufactured for model years beginning after the date of enactment of this Act.

SEC. 202. ENERGY STAR PROGRAM FUNDING.

There are authorized to be appropriated for carrying out the Energy Star program under section 324A of the Energy Policy and Conservation Act—

(1) to the Administrator of the Environmental Protection Agency $100,000,000 for each fiscal year; and

(2) to the Secretary of Energy $12,000,000 for each fiscal year.

SEC. 203. ENERGY STAR CERTIFICATION FOR SOLAR WATER HEATERS.

Not later than January 1, 2008, the Secretary of Energy, in consultation with the Administrator of the Environmental Protection Agency, shall adopt regulations establishing Energy Star Program requirements and an Energy Star rating program for commercial and residential solar water heating devices.

SEC. 204. FUEL EFFICIENCY STANDARDS FOR REPLACEMENT TIRES.

(a) STANDARDS FOR TIRES MANUFACTURED FOR INTERSTATE COMMERCE.—Section 30123 of title 49, United States Code, is amended—

(1) in subsection (b), by inserting after the first sentence the following: ''The grading system shall include standards for rating the fuel efficiency of tires designed for use on automobiles subject to the automobile fuel economy standards under chapter 329''; and

(2) by adding at the end of the following:

''(d) NATIONAL TIRE FUEL EFFICIENCY PROGRAM.—

''(1) The secretary shall develop and carry out a national tire efficiency program for tires designed for use on passenger cars and light trucks. such program shall include—

''(A) policies and procedures for testing and labeling tires for fuel economy to enable tire buyers to make informed purchasing decisions about the fuel economy of tires;

''(B) policies and procedures to promote the purchase of energy-efficient replacement tires, including purchase incentives, website listings on the Internet, printed fuel economy

guide booklets, and mandatory requirements for tire retailers to provide tire buyers with fuel-efficiency information on tires; and

''(C) minimum fuel economy standards for tires, promulgated by the Secretary.

''(2) The minimum fuel economy standards for tires shall—

''(A) ensure that, in conjunction with the requirements of paragraph (1)(B), the average fuel economy of replacement tires is equal to or better than the average fuel economy of tires sold as original equipment;

''(B) secure the maximum technically feasible and cost-effective fuel savings; and

''(C) not adversely affect tire safety;

''(D) not adversely affect the average tire life of replacement tires;

''(E) Incorporate the results from—

''(i) laboratory testing; and

''(ii) to the extent appropriate and available, on-road fleet testing programs conducted by manufacturers; and

''(F) not adversely affect efforts to manage scrap tires.

''(3) The policies, procedures, and standards developed under paragraph (1) shall apply to all tire types an models that are covered by the Uniform Tire Quality Grading Standards in section 575.104 of title 49, Code of Federal Regulations (or any successor regulation).

''(4) Not less than every 3 years, the Secretary shall review the minimum fuel economy standards in effect for tires under this subsection and revise the standards as necessary to ensure compliance with requirements under paragraph (2). The Secretary may not reduce the average fuel economy standards applicable to replacement tires.

''(5) Nothing in this section shall be construed to preempt any provisions of state law relating to higher fuel economy standards applicable to replacement tires designed for use on passenger cars and light trucks. nothing in this chapter shall apply to—

''(A) a tire or group of tires with the same product identification number, plant, and year, for which the volume of tires produced or imported is less than 15,000 annually;

''(B) a deep tread, winter-type snow tire, space-saver tire, or temporary use spare tire;

''(C) a tire with a normal rim diameter of 12 inches or less;

''(D) a motorcycle tire; or

''(E) a tire manufactured specifically for use in an off-road motorized recreational vehicle.

''(6) In this subsection, the term 'fuel economy', with respect to tires, means the extent to which the tire contribute to the fuel economy of the motor vehicles on which the tire are mounted.''.

(b) CONFORMING AMENDMENT.—Section 30103(b)(1) of title 49, United States Code, is amended by striking ''When'' and inserting ''Except as provided in section 30123(d) of this title, when''.

(c) IMPLEMENTATION.—The Secretary of Transportation shall ensure that the national tire fuel efficiency program required under subsection (d) of section 30123 of title 49, United States Code, (as added by subsection (a)(2)), is administered so as to apply the policies, procedures, and standards developed under paragraph (1) of such subsection beginning not later than March 31, 2008.

SEC. 205. APPLIANCE STANDARDS.

(a) STANDARDS FOR HOUSEHOLD APPLIANCES IN STANDBY MODE.—Section 325 of the Energy Policy and

Conservation Act (42 U.S.C. 6295) is amended by adding at the end the following:

''(hh) STANDBY MODE ELECTRIC ENERGY CONSUMPTION BY HOUSEHOLD APPLIANCES.—

''(1) DEFINITION.—In this subsection, the term 'household appliance' means any device that uses household electric current and operates in a standby mode except digital televisions, digital set top boxes, and digital video recorders.

''(2) STANDARD.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), a household appliance that is manufactured in, or imported for sale in, the United States on or after the date that is 3 years after the date of enactment of this subsection shall not consume in standby mode more than 1 watt.

''(B) ANALOG TELEVISIONS.—In the case of analog televisions, the Secretary shall prescribe, on or after the date that is 2 years after the date of enactment of this subsection, in accordance with subsections (o) and (p), an energy conservation standard that is technologically feasible and economically justified

under subsection (o)(2)(A) (in lieu of the 1 watt standard under subparagraph (A)).

''(3) EXEMPTIONS.—

''(A) APPLICATION.—A manufacturer or importer of a household appliance or their designated agent may submit to the Secretary an application for an exemption of a household appliance or class of appliances from the standard under paragraph (2).

''(B) CRITERIA FOR EXEMPTION.—The Secretary shall grant an exemption for a household appliance or class of appliances for which an application is made under subparagraph (A) if the applicant provides evidence showing that, and the Secretary determines that—

''(i) it is not technically feasible to modify the household appliance or appliances concerned to enable them to meet the standard;

''(ii) the standard is incompatible with an energy efficiency standard applicable to the household appliance or class of appliances under another subsection; or

''(iii) the cost of electricity that a typical consumer would save in operating the

household appliance or class of appliances meeting the standard would not equal the increase in the price of the household appliance or class of appliances that would be attributable to the modifications that would be necessary to enable the household appliance or class of appliances to meet the standard by the earlier of—

"(I) the date that is 7 years after the date of purchase of the household appliance concerned; or

"(II) the end of the useful life of the household appliance.

"(C) DETERMINATION OF TECHNICAL INFEASIBILITY.—If the Secretary determines that it is not technically feasible to modify a household appliance or class of appliances to meet the standard under paragraph (2), the Secretary shall establish a different standard for the household appliance or class of appliances in accordance with the criteria under subsection (l).

"(4) TEST PROCEDURE.—

"(A) IN GENERAL.—Not later than 1 year after the date of enactment of this subsection,

the Secretary shall establish a test procedure for determining the amount of consumption of power by a household appliance operating in standby mode.

''(B) CONSIDERATIONS.—In establishing the test procedure, the Secretary shall consider—

''(i) international test procedures under development;

''(ii) test procedures used in connection with the Energy Star program; and

''(iii) test procedures used for measuring power consumption in standby mode in other countries.

''(5) FURTHER REDUCTION OF STANDBY POWER CONSUMPTION.—The Secretary shall provide technical assistance to manufacturers in achieving further reductions in standby mode electric energy consumption by household appliances.

''(ii) STANDBY MODE ELECTRIC ENERGY CONSUMPTION BY DIGITAL TELEVISIONS, DIGITAL SET TOP BOXES, AND DIGITAL VIDEO RECORDERS.—The Secretary shall initiate within 5 years of the date of enactment of this subsection a rulemaking to prescribe, in accordance with subsections (o) and (p), an energy conserva-

tion standard of standby mode electric energy consumption by digital television sets, digital set top boxes, and digital video recorders. The Secretary shall issue a final rule prescribing such standards not later than 18 months thereafter. In determining whether a standard under this subsection is technologically feasible and economically justified under subsection (o)(2)(A), the Secretary shall consider the potential negative effects on market penetration by digital products covered under this subsection, and shall consider any recommendations by the Federal Communications Commission regarding such effects.''.

(b) STANDARDS FOR NONCOVERED PRODUCTS.—

(1) Section 325(m) of the Energy Policy and Conservation Act (42 U.S.C. 6295(m)) is amended as follows:

(A) Inserting ''(1)'' before ''After''.

(B) Inserting the following at the end:

''(2) Not later than one year after the date of enactment of this paragraph, and every 5 years thereafter, the Secretary shall conduct a rulemaking to determine whether consumer or commercial products not classified as a covered product under section 322(a)(1) through (19) meet the criteria of section 322(b)(1). If the Secretary finds that a consumer or commercial product not classified as a covered product meets the criteria of section

322(b)(1), the Secretary shall prescribe, in accordance with subsections (o) and (p), an energy conservation standard for such consumer or commercial product.''.

(2) Part B of title III of such Act is amended as follows:

(A) In the heading for such part by inserting ''**AND COMMERCIAL**'' after ''**CONSUMER**''.

(B) In section 321(2) by striking ''consumer product of a type specified in section 322'' and inserting ''consumer or commercial product of a type specified in section 322(a)''.

(C) In paragraphs (4), (5), (7), (12), (13), (14), (15), (32), and (36) of section 321 by striking ''consumer'' in each place it appears and inserting ''covered''.

(D) In section 322(a) by inserting ''or commercial'' after ''consumer'' the first place it appears and in paragraph (19).

(E) In section 322(b), by inserting ''or commercial'' after ''consumer'' in each place it appears.

(F) In section 322(b)(1)(B) and (b)(2)(A), by inserting ''(or per-business in the case of a

commercial product)'' after ''per-household'' in each place it appears.

(G) In section 322(b)(2)(A) by inserting ''(or businesses in the case of commercial products)'' after ''households'' in each place it appears.

(H) In section 322(b)(2)(C) by striking ''term'' and inserting ''terms'' and by inserting ''and business'' after ''household''.

(I) In sections 323 though 325 (except in section 325(o)(2)(B)(iii), (q)(1), and (bb)(3)(B)), and in section 337(a)(3) and the last sentence of section 337(a), by inserting ''or commercial'' after ''consumer'' in each place it appears.

(c) EFFICIENCY STANDARDS FOR OTHER CONSUMER AND COMMERCIAL PRODUCTS.—

(1) DEFINITIONS.—Section 321 of the Energy Policy and Conservation Act (42 U.S.C. 6291) is amended by adding the following at the end thereof:

''(52) The term 'residential furnace fan' means an electric fan installed as part of a furnace for purposes of circulating air through the system air filters, the heat exchangers or heating elements of the furnace, and the duct work.

''(53) The terms 'residential central air conditioner fan' and 'heat pump circulation fan' mean an electric fan installed as part of a central air conditioner or heat pump for purposes of circulating air through the system air filters, the heat exchangers of the air conditioner or heat pump, and the duct work.''.

(2) TESTING REQUIREMENTS.—Section 323 of the Energy Policy and Conservation Act (42 U.S.C. 6293) is amended by adding the following at the end thereof:

''(g) ADDITIONAL COVERED PRODUCTS.—The Secretary shall within 18 months after the date of enactment of this subsection prescribe testing requirements for the consumer and commercial products referred to in paragraphs (52) and (53) of section 321. Such testing requirements shall be based on existing test procedures used in industry to the extent practical and reasonable. Such test procedures shall include efficiency at both maximum output and at an output no more than 50 percent of the maximum output.''.

(3) STANDARDS FOR ADDITIONAL COVERED PRODUCTS.—Section 325 of the Energy Policy and Conservation Act (42 U.S.C. 6295), as amended by

subsection (a) of this section, is amended by adding the following at the end thereof:

"(jj) RESIDENTIAL FURNACE FANS AND CENTRAL AIR CONDITIONER FANS.—(1) The Secretary shall, within 18 months after the date of enactment of this subsection, assess the current and projected future market for the products referred to in paragraphs (52) and (53) of section 321. This assessment shall include an examination of the types of these products sold, the number of these products in use, annual sales of these products, energy used by these products sold, estimates of the potential energy savings from specific technical improvements to these products, and an examination of the cost-effectiveness of these improvements. Prior to the end of this time period, the Secretary shall hold an initial scoping workshop to discuss and receive input to plans for developing minimum efficiency standards for these products.

"(2) The Secretary shall within 24 months after the date on which testing requirements are prescribed by the Secretary pursuant to section 323(g), prescribe, by rule, energy conservation standards for residential furnace fans and residential central air conditioner fans. In establishing these standards, the Secretary shall use the criteria and procedures contained in this section. Any standard pre-

scribed under this section shall apply to products manufactured 36 months after the date such rule is published.''.

(4) LABELING.—Section 324(a) of the Energy Policy and Conservation Act (42 U.S.C. 6294(a)) is amended by adding the following at the end thereof:

''(6) The Secretary shall within 6 months after the date on which energy conservation standards are prescribed by the Secretary, prescribe, by rule, labeling requirements for the consumer and commercial products referred to in paragraphs (52) and (53) of section 321. These requirements shall take effect on the same date as the standards prescribed pursuant to section 325(jj).''.

(5) COVERED PRODUCTS.—Section 322(a) of the Energy Policy and Conservation Act (42 U.S.C. 6292(a)) is amended by redesignating paragraph (19) as (20) and by inserting the following after paragraph (18):

''(19) Beginning on the effective date for standards established pursuant to subsection (jj) of section 325, each product referred to in such subsection (jj).''.

SEC. 206. INCREASE IN ENERGY EFFICIENT COMMERCIAL BUILDINGS DEDUCTION.

(a) IN GENERAL.—Subsection (b)(1)(A) of section 179D of the Internal Revenue Code of 1986 (relating to energy efficient commercial buildings deduction) is amended by striking ''$1.80'' and inserting ''$2.25''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after the date of enactment of this Act, in taxable years beginning after such date.

TITLE III—ENCOURAGING THE DEVELOPMENT AND AVAILABILITY OF RENEWABLE ENERGY

SEC. 301. FEDERAL RENEWABLE PORTFOLIO STANDARD.

(a) IN GENERAL.—Title VI of the Public Utility Regulatory Policies Act of 1978 is amended by adding at the end the following:

''SEC. 611. FEDERAL RENEWABLE PORTFOLIO STANDARD.

''(a) MINIMUM RENEWABLE GENERATION REQUIREMENT.—For each calendar year beginning in calendar year 2008, each retail electric supplier shall submit to the Secretary, not later than April 1 of the following calendar year, renewable energy credits in an amount equal to the required annual percentage specified in subsection (b).

''(b) REQUIRED ANNUAL PERCENTAGE.—For calendar years 2008 through 2037, the required annual percentage of the retail electric supplier's base amount that shall be generated from renewable energy resources, or otherwise credited towards such percentage requirement pursuant to subsection (c), shall be the percentage specified in the following table:

"Calendar Years	**Required annual percentage**
2008	2
2009	4
2010	6
2011	8
2012	10
2013	12
2014	14
2015	16
2016	18
2017	20
2018	22
2019	24
2020 and thereafter	25.

''(c) SUBMISSION OF CREDITS.—(1) A retail electric supplier may satisfy the requirements of subsection (a) through the submission of renewable energy credits—

''(A) issued to the retail electric supplier under subsection (d);

''(B) obtained by purchase or exchange under subsection (e); or

''(C) borrowed under subsection (f).

''(2) A renewable energy credit may be counted toward compliance with subsection (a) only once.

''(d) ISSUANCE OF CREDITS.—(1) The Secretary shall establish by rule, not later than 1 year after the date of enactment of this section, a program to issue and monitor the sale or exchange of, and track, renewable energy credits and enforce the requirements of this section.

''(2) Under the program established by the Secretary, an entity that generates electric energy through the use of a renewable energy resource may apply to the Secretary for the issuance of renewable energy credits. The applicant must demonstrate that the electric energy will be transmitted onto the grid or, in the case of a generation offset, that the electric energy offset would have otherwise been consumed on site. The application shall indicate—

''(A) the type of renewable energy resource used to produce the electricity;

''(B) the location where the electric energy was produced; and

''(C) any other information the Secretary determines appropriate.

''(3)(A) Except as provided in subparagraphs (B), (C), and (D), the Secretary shall issue to each entity that generates electric energy one renewable energy credit for each kilowatt hour of electric energy the entity generates from the date of enactment of this section and in each

subsequent calendar year through the use of a renewable energy resource at an eligible facility.

''(B) For incremental hydropower the renewable energy credits shall be calculated based on the expected increase in average annual generation resulting from the efficiency improvements or capacity additions. The number of credits shall be calculated using the same water flow information used to determine a historic average annual generation baseline for the hydroelectric facility and certified by the Secretary or the Federal Energy Regulatory Commission. The calculation of the renewable energy credits for incremental hydropower shall not be based on any operational changes at the hydroelectric facility not directly associated with the efficiency improvements or capacity additions.

''(C) For electric energy generated by a renewable energy resource at an on-site eligible facility, used to offset part or all of the customer's requirements for electric energy, the Secretary shall issue three renewable energy credits for each kilowatt hour generated.

''(D) In the case of a retail electric supplier that is subject to a State renewable standard program that—

''(i) requires the generation of electricity from renewable energy; or

''(ii) provides for alternative compliance payments in satisfaction of applicable State requirements under the program, the Secretary shall issue an amount of renewable energy credits equal to the amount of renewable energy credits that the Secretary would have issued had a payment of the same amount been made to the Secretary under subsection (g).

Such renewable energy credits may be applied against the retail electric supplier's own required annual percentage or may be transferred for use only by an associate company of the retail electric supplier.

''(E) To be eligible for a renewable energy credit, the unit of electric energy generated through the use of a renewable energy resource may be sold or may be used by the generator. If both a renewable energy resource and a nonrenewable energy resource are used to generate the electric energy, the Secretary shall issue renewable energy credits based on the proportion of the renewable energy resources used. The Secretary shall identify renewable energy credits by type and date of generation.

''(4) When a generator sells electric energy generated through the use of a renewable energy resource to a retail electric supplier under a contract subject to section 210 of this Act, the retail electric supplier is treated as the

generator of the electric energy for the purposes of this section or the duration of the contract.

''(5) The Secretary shall issue renewable energy credits for existing facility offsets to be applied against a retail electric supplier's required annual percentage. Such credits are not tradeable and may be used only in the calendar year generation actually occurs.

''(e) CREDIT TRADING.—A renewable energy credit, may be sold or exchanged by the entity to whom issued or by any other entity who acquires the renewable energy credit, except for those renewable energy credits issued pursuant to subsection (d)(3)(E). A renewable energy credit for any year that is not used to satisfy the minimum renewable generation requirement of subsection (a) for that year may be carried forward for use within the next 4 years.

''(f) RENEWABLE ENERGY CREDIT BORROWING.—At any time before the end of calendar year 2010, a retail electric supplier that has reason to believe it will not have sufficient renewable energy credits to comply with subsection (a) may—

''(1) submit a plan to the Secretary demonstrating that the retail electric supplier will earn sufficient credits within the next 3 calendar years which, when taken into account, will enable the re-

tail electric supplier to meet the requirements of subsection (a) for calendar year 2010 and the subsequent calendar years involved; and

''(2) upon the approval of the plan by the Secretary, apply renewable energy credits that the plan demonstrates will be earned within the next 3 calendar years to meet the requirements of subsection (a) for each calendar year involved.

The retail electric supplier must repay all of the borrowed renewable energy credits by submitting an equivalent number of renewable energy credits, in addition to those otherwise required under subsection (a), by calendar year 2008 or any earlier deadlines specified in the approved plan. Failure to repay the borrowed renewable energy credits shall subject the retail electric supplier to civil penalties under subsection (h) for violation of the requirements of subsection (a) for each calendar year involved.

''(g) CREDIT COST CAP.—The Secretary shall offer renewable energy credits for sale at the lesser of 3 cents per kilowatt-hour or 200 percent of the average market value of renewable credits for the applicable compliance period. On January 1 of each year following calendar year 2006, the Secretary shall adjust for inflation the price charged per credit for such calendar year, based on the Gross Domestic Product Implicit Price Deflator.

''(h) ENFORCEMENT.—A retail electric supplier that does not submit renewable energy credits as required under subsection (a) shall be liable for the payment of a civil penalty. That penalty shall be calculated on the basis of the number of renewable energy credits not submitted, multiplied by the lesser of 4.5 cents or 300 percent of the average market value of credits for the compliance period. Any such penalty shall be due and payable without demand to the Secretary as provided in the regulations issued under subsection (d).

''(i) INFORMATION COLLECTION.—The Secretary may collect the information necessary to verify and audit—

''(1) the annual electric energy generation and renewable energy generation of any entity applying for renewable energy credits under this section;

''(2) the validity of renewable energy credits submitted by a retail electric supplier to the Secretary; and

''(3) the quantity of electricity sales of all retail electric suppliers.

''(j) ENVIRONMENTAL SAVINGS CLAUSE.—Incremental hydropower shall be subject to all applicable environmental laws and licensing and regulatory requirements.

''(k) EXISTING PROGRAMS.—(1) This section does not preclude a State from imposing additional renewable energy requirements in that State, including specifying eligible technologies under such State requirements.

''(2) In the rule establishing this program, the Secretary shall incorporate common elements of existing renewable energy programs, including state programs, to ensure administrative ease, market transparency and effective enforcement. The Secretary shall work with the States to minimize administrative burdens and costs and to avoid duplicating compliance charges to retail electric suppliers.

''(l) DEFINITIONS.—For purposes of this section:

''(1) BIOMASS.—The term 'biomass' means any organic material that is available on a renewable or recurring basis, including dedicated energy crops, trees grown for energy production, wood waste and wood residues, plants (including aquatic plants, grasses, and agricultural crops), residues, fibers, animal wastes and other organic waste materials (but not including unsegregated municipal solid waste (garbage)), and fats and oils, except that with respect to material removed from National Forest System lands the term includes only organic material from—

''(A) precommercial thinnings;

"(B) slash;

"(C) brush; and

"(D) mill residues.

"(2) ELIGIBLE FACILITY.—The term 'eligible facility' means—

"(A) a facility for the generation of electric energy from a renewable energy resource that is placed in service on or after the date of enactment of this section or the effective date of the applicable State renewable portfolio standard program; or

"(B) a repowering or cofiring increment that is placed in service on or after the date of enactment of this section or the effective date of the applicable State renewable portfolio standard program at a facility for the generation of electric energy from a renewable energy resource that was placed in service before that date.

"(3) EXISTING FACILITY OFFSET.—The term 'existing facility offset' means renewable energy generated from an existing facility, not classified as an eligible facility, that is owned or under contract, directly or indirectly, to a retail electric supplier on the date of enactment of this section.

''(4) INCREMENTAL HYDROPOWER.—The term 'incremental hydropower' means additional generation that is achieved from increased efficiency or additions of capacity on or after the date of enactment of this section or the effective date of the applicable State renewable portfolio standard program, at a hydroelectric facility that was placed in service before that date.

''(5) RENEWABLE ENERGY.—The term 'renewable energy' means electric energy generated by a renewable energy resource.

''(6) RENEWABLE ENERGY RESOURCE.—The term 'renewable energy resource' means solar, wind, ocean, geothermal energy, biomass (not including municipal solid waste), landfill gas, a generation offset, or incremental hydropower.

''(7) REPOWERING OR COFIRING INCREMENT.—The term 'repowering or cofiring increment' means—

''(A) the additional generation from a modification that is placed in service on or after the date of enactment of this section or the effective date of the applicable State renewable portfolio standard program to expand electricity production at a facility used to generate electric

energy from a renewable energy resource or to cofire biomass that was placed in service before the date of enactment of this section or the effective date of the applicable State renewable portfolio standard program, or

''(B) the additional generation above the average generation in the 3 years preceding the date of enactment of this section or the effective date of the applicable State renewable portfolio standard program to expand electricity production at a facility used to generate electric energy from a renewable energy resource or to cofire biomass that was placed in service before the date of enactment of this section or the effective date of the applicable State renewable portfolio standard program.

''(8) RETAIL ELECTRIC SUPPLIER.—The term 'retail electric supplier' means a person that sells electric energy to electric consumers and sold not less than 1,000,000 megawatt-hours of electric energy to electric consumers for purposes other than resale during the preceding calendar year; except that such term does not include the United States, a State or any political subdivision of a State, or any

agency, authority, or instrumentality of any one or more of the foregoing or a rural electric cooperative.

''(9) RETAIL ELECTRIC SUPPLIER'S BASE AMOUNT.—The term 'retail electric supplier's base amount' means the total amount of electric energy sold by the retail electric supplier, expressed in kilowatt hours, to electric customers for purposes other than resale during the most recent calendar year for which information is available, excluding electric energy generated by a hydroelectric facility.

''(m) RECOVERY OF COSTS.—An electric utility whose sales of electric energy are subject to rate regulation, including any utility whose rates are regulated by the Commission and any State regulated electric utility, shall not be denied the opportunity to recover the full amount of the prudently incurred incremental cost of renewable energy obtained to comply with the requirements of subsection (a) for sales to electric customers which are subject to rate regulation, notwithstanding any other law, regulation, rule, administrative order or any agreement between the electric utility and either the Commission or a State regulatory authority. For the purpose of this subsection, the term 'incremental cost of renewable energy' means—

''(1) the additional cost to the electric utility for the purchase or generation of renewable energy to

satisfy the minimum renewable generation requirement of subsection (a), as compared to the cost of the electric energy the electric utility would generate or purchase from another source but for the requirements of subsection (a); and

''(2) the cost to the electric utility for acquiring by purchase or exchange renewable energy credits to satisfy the minimum renewable generation requirement of subsection (a).

For purposes of this subsection, the definitions in section 3 of this Act shall apply to the terms 'electric utility', 'State regulated electric utility', 'State agency', 'Commission', and 'State regulatory authority'.

''(n) VOLUNTARY PARTICIPATION.—The Secretary shall encourage federally-owned utilities, municipally-owned utilities and rural electric cooperatives that sell electric energy to electric consumers for purposes other than resale to participate in the renewable portfolio standard program. A municipally-owned utility or rural electric cooperative that owns or has under contract a facility for the generation of electric energy from a renewable energy resource may not sell or trade renewable energy credits generated by such resource unless it participates in the renewable portfolio standard program under the same terms and conditions as retail electric suppliers.

''(o) PROGRAM REVIEW.—The Secretary shall conduct a comprehensive evaluation of all aspects of the Renewable Portfolio Standard program, within 10 years of enactment of this section. The study shall include an evaluation of—

''(1) the effectiveness of the program in increasing the market penetration and lower the cost of the eligible renewable technologies;

''(2) the opportunities for any additional technologies emerging since enactment of this section;

''(3) the impact on the regional diversity and reliability of supply sources, including the power quality benefits of distributed generation;

''(4) the regional resource development relative to renewable potential and reasons for any under investment in renewable resources; and

''(5) the net cost/benefit of the renewable portfolio standard to the national and state economies, including retail power costs, economic development benefits of investment, avoided costs related to environmental and congestion mitigation investments that would otherwise have been required, impact on natural gas demand and price, effectiveness of green marketing programs at reducing the cost of renewable resources.

The Secretary shall transmit the results of the program review and any recommendations for modifications and improvements to the program to Congress not later than January 1, 2014.

''(p) PROGRAM IMPROVEMENTS.—Using the results of the review under subsection (o), the Secretary shall by rule, within 6 months of the completion of the review, make such modifications to the program as may be necessary to improve the efficiency of the program and maximize the use of renewable energy under the program.

''(q) STATE RENEWABLE ENERGY ACCOUNT PROGRAM.—(1) The Secretary shall establish, not later than December 31, 2007, a State renewable energy account program.

''(2) All money collected by the Secretary from the sale of renewable energy credits shall be deposited into the state renewable energy account established pursuant to this subsection. The State renewable energy account shall be held by the Secretary and shall not be transferred to the Treasury Department.

''(3) Proceeds deposited in the state renewable energy account shall be used by the Secretary for a program to provide grants to the State agency responsible for developing State energy conservation plans under section 363 of the Energy Policy and Conservation Act (42 U.S.C.

6322) for the purposes of promoting renewable energy production and providing energy assistance and weatherization services to low-income consumers.

''(4) The Secretary may issue guidelines and criteria for grants awarded under this subsection. At least 75 percent of the funds provided to each State shall be used for promoting renewable energy production. The funds shall be allocated to the States on the basis of retail electric sales subject to the Renewable Portfolio Standard under this section or through voluntary participation. To the extent Federal credits have been issued without payment due to reciprocity with State programs under subsection (d)(3)(E), deductions shall be made from the relevant State's allocation. State energy offices receiving grants under this section shall maintain such records and evidence of compliance as the Secretary may require.

''(r) SUNSET.—This section expires December 31, 2030.''.

(b) TABLE OF CONTENTS.—The table of contents for such title is amended by adding the following new item at the end:

''Sec. 119. Federal renewable portfolio standard.''.

SEC. 302. ELECTRICITY TRANSMISSION LINES DESIGNED TO CARRY ELECTRICITY FROM RENEWABLE ENERGY RESOURCES.

The Secretary of the Treasury, in consultation with the Secretary of Energy, the Secretary of Commerce, and the Administrator of the Environmental Protection Agency, shall establish an appropriate investment tax credit for the construction of new electricity transmission lines designed primarily to carry electricity from renewable energy resources. Such credit shall be sufficient to encourage the development of promising rural renewable energy domestic resources that otherwise would likely not be developed.

SEC. 303. EXTENSION THROUGH 2017 FOR PLACING QUALIFIED FACILITIES IN SERVICE FOR PRODUCING RENEWABLE ELECTRIC ENERGY.

(a) IN GENERAL.—Subsection (d) of section 45 of the Internal Revenue Code of 1986 is amended—

(1) by striking ''January 1, 2008'' each place it appears and inserting ''January 1, 2018'', and

(2) in paragraph (4) by striking the parenthetical.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to property originally placed in service on or after January 1, 2007.

SEC. 304. NET METERING.

(a) ADOPTION OF STANDARD.—Section 111(d)(11) of the Public Utility Regulatory Policies Act of 1978 (16 U.S.C. 2621(d)) is amended to read as follows:

''(11) NET METERING.—(A) Each electric utility shall make available upon request net metering service to any electric consumer that the electric utility serves.

''(B) For purposes of implementing this paragraph, any reference contained in this section to the date of enactment of the Public Utility Regulatory Policies Act of 1978 shall be deemed to be a reference to the date of enactment of this paragraph.

''(C) Notwithstanding subsections (b) and (c) of section 112, each State regulatory authority may consider and make a determination concerning whether it is appropriate in the public interest to not implement the standard set out in subparagraph (A) not later than 1 year after the date of enactment of this paragraph.

''(D) Nothing in this section shall preclude a State from establishing additional incentives or to encourage on-site generating facilities and net metering in addition to that required under this section.

''(E) The Secretary shall report within 11 months of enactment and annually thereafter on the public benefit provided by adoption of net metering and interconnection standards, and the status of state adoption of such.''.

(b) SPECIAL RULES FOR NET METERING.—Section 115 of the Public Utility Regulatory Policies Act of 1978 (16 U.S.C. 2625) is amended by adding at the end the following:

''(i) NET METERING.—In undertaking the consideration and making the determination under section 111 with respect to the standard concerning net metering established by section 111(d)(11), the term 'net metering service' shall mean a service provided in accordance with the following standards:

''(1) An electric utility—

''(A) shall charge the owner or operator of an on-site generating facility rates and charges that are identical to those that would be charged other electric consumers of the electric utility in the same rate class; and

''(B) shall not charge the owner or operator of an on-site generating facility any additional standby, capacity, interconnection, or other rate or charge.

''(2) An electric utility that sells electric energy to the owner or operator of an on-site generating facility shall measure the quantity of electric energy produced by the on-site facility and the quantity of electric energy consumed by the owner or operator of an on-site generating facility during a billing period with a single bi-directional meter or otherwise in accordance with reasonable metering practices.

''(3) If the quantity of electric energy sold by the electric utility to an on-site generating facility exceeds the quantity of electric energy supplied by the on-site generating facility to the electric utility during the billing period, the electric utility may bill the owner or operator for the net quantity of electric energy sold, in accordance with reasonable metering practices.

''(4) If the quantity of electric energy supplied by the on-site generating facility to the electric utility exceeds the quantity of electric energy sold by the electric utility to the on-site generating facility during the billing period—

''(A) the electric utility may bill the owner or operator of the on-site generating facility for the appropriate charges for the billing period in accordance with paragraph; and

''(B) the owner or operator of the on-site generating facility shall be credited for the excess kilowatt-hours generated during the billing period, with the kilowatt-hour credit appearing on the bill for the following billing period.

''(5) An eligible on-site generating facility and net metering system used by an electric consumer shall meet all applicable safety, performance, reliability, and interconnection standards established by the National Electrical Code, the Institute of Electrical and Electronics Engineers, and Underwriters Laboratories.

''(6) The Commission, after consultation with State regulatory authorities and unregulated electric utilities and after notice and opportunity for comment, may adopt, by rule, additional control and testing and interconnection requirements for on-site generating facilities and net metering systems that the Commission determines are necessary to protect public safety and system reliability.

''(7) For purposes of this subsection—

''(A) the term 'eligible on-site generating facility' means a facility on the site of a residential electric consumer with a maximum generating capacity of 10 kilowatts or less that is

fueled by solar energy, wind energy, or fuel cells; or a facility on the site of a commercial electric consumer with a maximum generating capacity of 500 kilowatts or less that is fueled solely by a renewable energy resource, landfill gas, or a high efficiency system;

''(B) the term 'renewable energy resource' means solar, wind, biomass, micro-freeflow hydro, or geothermal energy;

''(C) the term 'high efficiency system' means fuel cells or combined heat and power; and

''(D) the term 'net metering service' means service to an electric consumer under which electric energy generated by that electric consumer from an eligible on-site generating facility and delivered to the local distribution facilities may be used to offset electric energy provided by the electric utility to the electric consumer during the applicable billing period.''.

SEC. 305. LOAN GUARANTEES FOR BIOREFINERIES AND RENEWABLE ENERGY PRODUCTION FACILITIES.

(a) AUTHORITY.—The Secretary of Energy may guarantee not more than 80 percent of the principal of

any loan made to any person or other entity for any of the following:

(1) The construction of any new facility that primarily makes cellulosic biomass ethanol or biomethanol or generates electricity, or any combination thereof, from wind energy, biomass, solar energy, ocean energy or geothermal sources.

(2) The modification of any facility that primarily generates electricity from wind energy, biomass, solar energy, ocean energy, or geothermal sources if such modification adds additional electric generation capacity from any of such sources.

(3) The modification of any facility that primarily makes cellulosic biomass ethanol, biomethanol, or electricity from wind energy, biomass, solar energy, ocean energy or geothermal sources if such modification adds additional capacity to make cellulosic biomass ethanol or biomethanol from any such source or combination of sources.

(4) The conversion of any facility that primarily makes ethanol to a facility that primarily makes cellulosic biomass ethanol.

(5) The construction of any new ninety percent sequestration coal power facility.

(b) CONDITIONS.—

(1) LOAN MAKER.—A loan guaranteed under this section shall be made by a financial institution subject to the examination of the Secretary.

(2) ENVIRONMENTAL LAWS.—Any project for which a loan guarantee is issued under this section shall be required by the Secretary as a condition of the loan guarantee to comply with all applicable Federal, State, and local environmental laws.

(3) OTHER REQUIREMENTS.—Loan requirements, including term, fees, maximum size, collateral requirements, and other features, shall be determined by the Secretary.

(c) LIMITATION ON AMOUNT.—The Secretary of Energy may make commitments to guarantee loans under this section only to the extent that the total amount of loan principal guaranteed by the Secretary does not exceed $49,000,000,000. Of such total amount, the Secretary may make commitments to guarantee—

(1) not more than $7,000,000,000 of loan principal for each of the following project types—

(A) biomass facilities;

(B) geothermal energy facilities;

(C) ninety percent sequestration coal power facilities;

(D) ocean energy facilities; and

(E) solar energy facilities;

(2) not more than $7,000,000,000 of loan principal for cellulosic biomass ethanol;

(3) not more than $2,000,000,000 of loan principal for biomethanol facilities; and

(4) not more than $5,000,000,000 of loan principal for wind energy facilities.

(d) REGULATIONS.—The Secretary of Energy may issue regulations to carry out the provisions of this section.

(e) DEFINITIONS.—As used in this section:

(1) The term ''agricultural livestock'' includes bovine, swine, poultry, and sheep.

(2) The term ''agricultural livestock waste nutrients'' means agricultural livestock manure and litter, including wood shavings, straw, rice hulls, and other bedding material for the disposition of manure.

(3) The term ''biomass facility'' means a facility that generates electricity from closed-loop biomass, open-loop biomass, or both.

(4) The term ''biomethanol facility'' means a facility that generates methanol from biomass, animal waste, or municipal solid waste.

(5) The term ''cellulosic biomass ethanol'' means ethanol derived from any nonhazardous lignocellulosic or hemicellulosic matter that is available on a renewable or recurring basis, including—

(A) dedicated energy crops and trees;

(B) the following forest-related resources—

(i) harvesting residue;

(ii) pre-commercial thinnings;

(iii) slash; and

(iv) bush;

(C) plants;

(D) grasses

(E) agricultural residues

(F) fibers;

(G) animal wastes and other waste materials; and

(H) municipal solid waste.

(6) The term ''cellulosic biomass ethanol facility'' means a facility that produces cellulosic biomass ethanol.

(7) The term ''closed-loop biomass'' means any organic material from a plant which is planted exclusively for purposes of being used at a biomass facility to produce electricity.

(8) The term ''geothermal energy facility'' means a facility that generates electricity from geothermal energy.

(9) The term ''ninety percent sequestration coal power facility'' means a facility that generates electricity using coal as a fuel source and sequesters, rather than releases to the atmosphere, at least 90 percent of the carbon dioxide emissions resulting from such coal combustion.

(10) The term ''ocean energy facility'' means a facility that generates electricity from ocean tidal, wave, current or thermal processes.

(11) The term ''open-loop biomass'' means any agricultural livestock waste nutrients, or any solid, nonhazardous, cellulosic waste material which is segregated from other waste materials and which is derived from—

(A) any of the following forest-related resources: mill and harvesting residues, precommercial thinnings, slash, and brush, but not including old-growth timber or black liquor,

(B) old wood waste materials, including waste pallets, crates, dunnage, manufacturing and construction wood wastes (other than pressure-treated, chemically-treated, or painted

wood wastes), and landscape or right-of-way tree trimmings, but not including unsegregated municipal solid waste (garbage) or postconsumer wastepaper which can be recycled affordably, or

(C) agriculture sources, including orchard tree crops, vineyard, grain, legumes, sugar, and other crop by-products or residues.

Such term shall not include closed-loop biomass or biomass burned in conjunction with fossil fuel (co-firing) beyond such fossil fuel required for startup and flame stabilization.

(12) The term ''sequestration'' means the capture, long-term separation, isolation, or removal of greenhouse gases from the atmosphere.

(13) The term ''solar energy facility'' means a facility that generates electricity from solar energy with a capacity of 25 kilowatts or more.

(14) The term ''wind energy facility'' means a facility that generates electricity from wind energy.

(f) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to the Secretary of Energy such sums as may be necessary to cover the cost of loan guarantees, as defined by section 502(5) of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a(5)).

TITLE IV—INCREASING THE RENEWABLE ENERGY USE AND ENERGY EFFICIENCY OF THE FEDERAL GOVERNMENT

SEC. 401. FEDERAL ENERGY EFFICIENCY.

The President shall take measures necessary to ensure that electricity consumption for nondefense related activities of the Federal Government shall be decreased by 35 percent by 2015.

SEC. 402. GREEN BUILDING STANDARDS FOR FEDERAL BUILDINGS.

(a) REQUIREMENT.—A Federal building for which the design phase for construction or major renovation is begun after the date of enactment of this Act shall be designed, constructed, and certified to meet, at a minimum, the LEED silver standard.

(b) EXCEPTIONS.—Subsection (a) shall not apply to Federal laboratories or defense facilities, or to a building of a type for which no LEED silver standard exists.

(c) STUDY.—Not later than 1 year after the date of enactment of this Act, the Secretary of Energy shall transmit to Congress the results of a study comparing the expected energy savings resulting from the implementation of this section with energy savings under all other Federal energy savings requirements. The Secretary shall include

any recommendations for changes to Federal law necessary to reduce or eliminate duplicative or inconsistent Federal energy savings requirements.

(d) DEFINITION.—For purposes of this section, the term ''LEED silver standard'' means the Leadership in Energy and Environmental Design green building rating standard identified as silver by the United States Green Building Council.

SEC. 403. FEDERAL RENEWABLE AND CLEAN ENERGY USE.

(a) IN GENERAL.—The President shall take measures necessary to ensure that, within 10 years after the date of the enactment of this Act, at least 20 percent of the electricity consumed by nondefense related activities of the Federal Government shall be generated from renewable sources or zero-emission fossil fuel energy sources.

(b) SOLAR PANELS AND PHOTOVOLTAICS.—The requirement in subsection (a) may be achieved through the purchase and installation of solar panels or photovoltaics on executive agency properties.

SEC. 404. FUEL ECONOMY OF THE FEDERAL FLEET OF VEHICLES.

(a) BASELINE AVERAGE FUEL ECONOMY.—The head of each Executive agency shall determine, for each class of vehicles that are in the agency's fleet of vehicles in fiscal year 2007, the average fuel economy for all of the vehicles

in that class that are in the agency's fleet of vehicles for that fiscal year. For the purposes of this section, the average fuel economy so determined for the agency's vehicles in a class of vehicles shall be the baseline average fuel economy for the agency's fleet of vehicles in that class.

(b) INCREASE OF AVERAGE FUEL ECONOMY.—The head of an Executive agency shall manage the procurement of vehicles in each class of vehicles for that agency in such a manner that—

(1) not later than September 30, 2009, the average fuel economy of the new vehicles in the agency's fleet of vehicles in each class of vehicles is not less than 3 miles per gallon higher than the baseline average fuel economy determined for that class; and

(2) not later than September 30, 2012, the average fuel economy of the new vehicles in the agency's fleet of vehicles in each class of vehicles is not less than 6 miles per gallon higher than the baseline average fuel economy determined for that class.

(c) CALCULATION OF AVERAGE FUEL ECONOMY.—Average fuel economy shall be calculated for the purposes of this section in accordance with guidance which the Secretary of Transportation shall prescribe for the implementation of this section.

(d) DEFINITIONS.—In this section:

(1) The term ''class of vehicles'' means a class of vehicles for which an average fuel economy standard is in effect under chapter 329 of title 49, United States Code.

(2) The term ''Executive agency'' has the meaning given that term in section 105 of title 5, United States Code, but also includes the United States Postal Service.

(3) The term ''new vehicle'', with respect to the fleet of vehicles of an executive agency, means a vehicle procured by or for the agency after September 30, 2008.

SEC. 405. FEDERAL VEHICLE EFFICIENCY REQUIREMENT.

(a) IN GENERAL.—At least ten percent of the motor vehicles purchased by an Executive agency in any fiscal year shall be comprised of high-efficiency vehicles or hybrid electric vehicles.

(b) DEFINITIONS.—In this Act:

(1) The term ''Executive agency'' has the meaning given that term in section 105 of title 5, United States Code, but also includes the United States Postal Service.

(2) The term ''high-efficiency vehicle'' means a motor vehicle the fuel economy of which is rated at not less than 40 miles per gallon.

(3) The term ''hybrid electric vehicle'' means a motor vehicle with a fuel-efficient gasoline engine assisted by an electric motor.

(4) The term ''motor vehicle'' has the meaning given that term in section 102(7) of title 40, United States Code.

(c) PRO-RATED APPLICABILITY IN YEAR OF ENACTMENT.—In the fiscal year in which this Act is enacted, the requirement in subsection (a) shall only apply with respect to motor vehicles purchased after the date of the enactment of this Act in such fiscal year.

TITLE V—INCREASING AMERICAN ENERGY RESEARCH AND DEVELOPMENT

SEC. 501. AUTHORIZATION OF APPROPRIATIONS FOR THE DEPARTMENT OF ENERGY FOR BASIC RESEARCH.

Section 971(b) of the Energy Policy Act of 2005 (42 U.S.C. 16311(b)) is amended—

(1) in paragraph (2), by striking ''and'' at the end;

(2) in paragraph (3), by striking the period at the end and inserting a semicolon; and

(3) by adding at the end the following:

''(4) $5,320,000,000 for fiscal year 2010;

''(5) $5,851,000,000 for fiscal year 2011;

''(6) $6,436,000,000 for fiscal year 2012; and

''(7) $7,080,000,000 for fiscal year 2013.''.

SEC. 502. MATHEMATICS, SCIENCE, AND ENGINEERING EDUCATION AT THE DEPARTMENT OF ENERGY.

(a) SCIENCE EDUCATION PROGRAMS.—Section 3164 of the Department of Energy Science Education Enhancement Act (42 U.S.C. 7381a) is amended—

(1) by redesignating subsections (b) through (d) as subsections (c) through (e), respectively;

(2) by inserting after subsection (a) the following:

''(b) ORGANIZATION OF MATHEMATICS, SCIENCE, AND ENGINEERING EDUCATION PROGRAMS.—

''(1) DIRECTOR OF MATHEMATICS, SCIENCE AND ENGINEERING EDUCATION.—The Secretary, acting through the Under Secretary for Science (referred to in this subsection as the 'Under Secretary'), shall appoint a Director of Mathematics, Science, and Engineering Education (referred to in this subsection as the 'Director') with the principal responsibility for administering mathematics, science, and engineering education programs of the Department.

''(2) QUALIFICATIONS.—The Director shall be an individual, who by reason of professional background and experience, is specially qualified to advise the Under Secretary on all matters pertaining to mathematics, science, and engineering education at the Department.

''(3) DUTIES.—The Director shall—

''(A) oversee all mathematics, science, and engineering education programs of the Department;

''(B) represent the Department as the principal interagency liaison for all mathematics, science, and engineering education programs, unless otherwise represented by the Secretary or the Under Secretary;

''(C) prepare the annual budget and advise the Under Secretary on all budgetary issues for mathematics, science, and engineering education programs of the Department; and

''(D) perform other such matters related to mathematics, science, and engineering education as are required by the Secretary or the Under Secretary.

''(4) STAFF AND OTHER RESOURCES.—The Secretary shall assign to the Director such personnel

and other resources as the Secretary considers necessary to permit the Director to carry out the duties of the Director.

''(5) ASSESSMENT.—The Secretary shall offer to enter into a contract with the National Academy of Sciences under which the National Academy, not later than 5 years after, and not later than 10 years after, the date of enactment of this paragraph, shall assess the performance of the mathematics, science, and engineering education programs of the Department.

''(6) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as are necessary to carry out this subsection.''; and

(3) by striking subsection (d) (as redesignated by paragraph (1)) and inserting the following:

''(d) MATHEMATICS, SCIENCE, AND ENGINEERING EDUCATION FUND.—The Secretary shall establish a Mathematics, Science, and Engineering Education Fund, using not less than 0.3 percent of the amount made available to the Department for research, development, demonstration, and commercial application for each fiscal year, to carry out sections 3165, 3166, and 3167.''.

(b) DEFINITION.—Section 3168 of the Department of Energy Science Education Enhancement Act (42

U.S.C. 7381d) is amended by adding at the end the following:

''(5) NATIONAL LABORATORY.—The term 'National Laboratory' has the meaning given the term in section 2 of the Energy Policy Act of 2005 (42 U.S.C. 15801).''.

(c) MATHEMATICS, SCIENCE, AND ENGINEERING EDUCATION PROGRAMS.—The Department of Energy Science Education Enhancement Act (42 U.S.C. 7381 et seq.) is amended—

(1) by inserting after section 3162 the following:

''Subpart A—Science Education Enhancement'';

(2) in section 3169, by striking ''part'' and inserting ''subpart''; and

(3) by adding at the end the following:

''Subpart B—Mathematics, Science, and Engineering Education Programs

''SEC. 3170. DEFINITIONS.

''In this subpart:

''(1) DIRECTOR.—The term 'Director' means the Director of Mathematics, Science, and Engineering Education.

''(2) NATIONAL LABORATORY.—The term 'National Laboratory' has the meaning given the term

in section 2 of the Energy Policy Act of 2005 (42 U.S.C. 15801).

"CHAPTER 1—ASSISTANCE FOR SPECIALTY SCHOOLS FOR MATHEMATICS AND SCIENCE

"SEC. 3171. ASSISTANCE FOR SPECIALTY SCHOOLS FOR MATHEMATICS AND SCIENCE.

''(a) IN GENERAL.—Consistent with sections 3165 and 3166, the Director shall make available necessary funds for a program using scientific and engineering staff of the National Laboratories, in which the staff—

''(1) assists teaching courses at statewide specialty secondary schools that provide comprehensive mathematics and science (including engineering) education; and

''(2) uses National Laboratory scientific equipment in the teaching of the courses.

''(b) REPORT TO CONGRESS.—Not later than 2 years after the date of enactment of the American Energy Independence Act, the Director shall submit a report to the appropriate committees of Congress detailing the impact of the activities assisted with funds made available under this section.

"CHAPTER 2—EXPERIENTIAL-BASED LEARNING OPPORTUNITIES

"SEC. 3175. EXPERIENTIAL-BASED LEARNING OPPORTUNITIES.

"(a) INTERNSHIPS AUTHORIZED.—From the amounts authorized under subsection (d), the Secretary, acting through the Director, shall establish a summer internship program for middle school and secondary school students that shall—

"(1) provide the students with internships at the National Laboratories; and

"(2) promote experiential, hands-on learning in mathematics or science.

"(b) ELIGIBILITY CRITERIA.—The Director shall establish criteria to determine the sufficient level of academic preparedness necessary for a student to be eligible for an internship under this section.

"(c) PRIORITY.—

"(1) IN GENERAL.—The Director shall give priority for an internship under this section to a student who meets the eligibility criteria described in subsection (b) and who attends a school—

"(A)(i) in which not less than 40 percent of the children enrolled in the school are from low-income families; or

''(ii) that is designated with a school locale code of 7 or 8, as determined by the Secretary of Education; and

''(B) for which there is—

''(i) a high percentage of teachers who are not teaching in the academic subject areas or grade levels in which the teachers were trained to teach;

''(ii) a high teacher turnover rate; or

''(iii) a high percentage of teachers with emergency, provisional, or temporary certification or licenses.

''(2) COORDINATION.—The Director shall consult with the Secretary of Education in order to determine whether a student meets the priority requirements of this subsection.

''(d) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $50,000,000 for each of the fiscal years 2007 through 2013.

"CHAPTER 3—NATIONAL LABORATORIES CENTERS OF EXCELLENCE IN MATHEMATICS AND SCIENCE EDUCATION

"SEC. 3181. NATIONAL LABORATORIES CENTERS OF EXCELLENCE IN MATHEMATICS AND SCIENCE EDUCATION.

''(a) IN GENERAL.—The Secretary shall establish at each of the National Laboratories a program to support a Center of Excellence in Mathematics and Science at 1 public secondary school located in the region of the National Laboratory to provide assistance in accordance with subsection (c).

''(b) GOALS.—The Secretary shall establish goals and performance assessments for each Center of Excellence authorized under subsection (a).

''(c) ASSISTANCE.—Consistent with sections 3165 and 3166, the Director shall make available necessary funds for a program using scientific and engineering staff of the National Laboratories, during which the staff—

''(1) assists teaching courses at the Centers of Excellence in Mathematics and Science; and

''(2) uses National Laboratory scientific equipment in the teaching of the courses.

''(d) EVALUATION.—The Secretary shall consider the results of the performance assessments required under

subsection (b) in any performance review of a National Laboratories management and operations contractor.

"CHAPTER 4—SUMMER INSTITUTES

"SEC. 3185. SUMMER INSTITUTES.

"(a) DEFINITION OF SUMMER INSTITUTE.—In this section, the term 'summer institute' means an institute at a National Laboratory, conducted during the summer, that—

"(1) is conducted for a period of not less than 2 weeks;

"(2) includes, as a component, a program that provides direct interaction between students and faculty; and

"(3) provides for follow-up training during the academic year.

"(b) SUMMER INSTITUTE PROGRAMS AUTHORIZED.—The Secretary, acting through the Director, shall establish or expand program of summer institutes at each of the National Laboratories to provide additional training to strengthen the mathematics and science teaching skills of teachers employed at public schools in kindergarten through grade 12 education, with a particular focus on teachers of kindergarten through grade 8.

"CHAPTER 5—DISTINGUISHED SCIENTIST PROGRAM

"SEC. 3191. DISTINGUISHED SCIENTIST PROGRAM.

''(a) PURPOSE.—The purpose of this section is to promote scientific and academic excellence at National Laboratories.

''(b) ESTABLISHMENT.—The Secretary, acting through the Director and in consultation with the Director of the Office of Science, shall establish a program to support the appointment of distinguished scientists by National Laboratories.

''(c) QUALIFICATIONS.—Successful candidates under this section shall be persons who, by reason of professional background and experience, are able to bring international recognition to the appointing National Laboratory in their field of scientific endeavor.

''(d) SELECTION.—A distinguished scientist appointed under this section shall be selected through an open peer review process.

''(e) APPOINTMENT.—An appointment by a National Laboratory under this section shall be at the rank of the highest grade of distinguished scientist or technical staff of the National Laboratory.

''(f) DURATION.—An appointment under this section shall be for 6 years, consisting of 2 3-year funding allotments.

''(g) USE OF FUNDS.—Funds made available under this section may be used for—

''(1) the salary of the distinguished scientist and support staff;

''(2) undergraduate, graduate, and post-doctoral appointments;

''(3) research-related equipment;

''(4) professional travel; and

''(5) such other requirements as the Director determines are necessary to carry out the purpose of the program.

''(h) REVIEW.—

''(1) IN GENERAL.—The appointment of a distinguished scientist under this section shall be reviewed at the end of the first 3-year allotment for the distinguished scientist through an open peer review process to determine if the appointment is meeting the purpose of this section under subsection (a).

''(2) FUNDING.—Funding of the appointment of the distinguished scientist for the second 3-year

allotment shall be determined based on the review conducted under paragraph (1).''.

SEC. 503. DEPARTMENT OF ENERGY EARLY CAREER RESEARCH GRANTS.

(a) PURPOSE.—It is the purpose of this section to authorize research grants in the Department of Energy for early career scientists and engineers for purposes of pursuing independent research.

(b) DEFINITION OF ELIGIBLE EARLY CAREER RESEARCHER.—In this section, the term ''eligible early career researcher'' means an individual who—

(1) completed a doctorate or other terminal degree not more than 10 years before the date of enactment of this Act and has demonstrated promise in the field of science, technology, engineering, or mathematics; or

(2) has an equivalent professional qualification in the field of science, technology, engineering, or mathematics.

(c) GRANT PROGRAM AUTHORIZED.—

(1) IN GENERAL.—The Secretary of Energy, through the Director of the Office of Science of the Department of Energy, shall award not less than 65 grants per year to outstanding eligible early career researchers to support the work of such researchers

in the Department, particularly the National Laboratories, or other federally funded research and development centers.

(2) APPLICATION.—An eligible early career researcher who desires to receive a grant under this section shall submit to the Secretary of Energy an application at such time, in such manner, and accompanied by such information as the Secretary may require.

(3) SPECIAL CONSIDERATION.—In awarding grants under this section, the Secretary of Energy shall give special consideration to eligible early career researchers who have followed alternative career paths such as working part time or in nonacademic settings, or who have taken a significant career break or other leave of absence.

(4) DURATION AND AMOUNT.—A grant under this section shall be 5 years in duration. An eligible early career researcher who receives a grant under this section shall receive $100,000 for each year of the grant period.

(5) USE OF FUNDS.—An eligible early career researcher who receives a grant under this section shall use the grant funds for basic research in natural sciences, engineering, mathematics, or computer

sciences at the Department of Energy, particularly the National Laboratories, or other federally funded research and development center.

(6) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section—

(A) $6,500,000 for fiscal year 2008;

(B) $13,000,000 for fiscal year 2009;

(C) $19,500,000 for fiscal year 2010;

(D) $26,000,000 for fiscal year 2011; and

(E) $32,500,000 for fiscal year 2012.

SEC. 504. ADVANCED RESEARCH PROJECTS AUTHORITY—ENERGY.

(a) DEFINITIONS.—In this section:

(1) ARPA–E.—The term ''ARPA–E'' means the Advanced Research Projects Authority—Energy established under subsection (b).

(2) FUND.—The term ''Fund'' means the Acceleration Fund for Research and Development of Energy Technologies established under subsection (c).

(3) SECRETARY.—The term ''Secretary'' means the Secretary of Energy.

(4) UNDER SECRETARY.—The term ''Under Secretary'' means the position of Under Secretary

for Science established under section 202(b) of the Department of Energy Organization Act (42 U.S.C. 7132(b)).

(b) ARPA–E.—

(1) ESTABLISHMENT.—There is established the Advanced Research Projects Authority—Energy.

(2) DIRECTOR.—ARPA–E shall be headed by a Director, who shall be appointed by the Secretary and report to the Under Secretary.

(3) RESPONSIBILITIES.—The Director shall use the Fund to award competitive, merit-based grants, cooperative agreements, and contracts to public or private entities (including businesses, federally funded research and development centers, and institutions of higher education) to—

(A) support basic and applied energy research to promote revolutionary changes in technologies that would promote the missions of the Department of Energy;

(B) advance the development, testing, evaluation, and deployment of critical energy technologies; and

(C) accelerate prototyping and development of technologies that would address national energy priorities.

(4) TARGETED COMPETITIONS.—The Director may solicit proposals to address areas of national need in science and energy technology, as identified by the Director.

(5) COORDINATION.—The Director—

(A) shall ensure that the activities of ARPA–E are coordinated with activities of other appropriate research agencies; and

(B) may carry out projects under this section jointly with other agencies.

(6) PERSONNEL.—

(A) IN GENERAL.—In hiring personnel for ARPA–E, the Secretary shall have the hiring and management authorities described in section 1101 of the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999 (Public Law 105–261; 5 U.S.C. 3104 note).

(B) TERM.—The term of appointments for an employee under subparagraph (A) may not exceed 5 years, except that the Secretary may renew the term of appointment of the employee for an additional term of 5 years.

(7) DEMONSTRATIONS.—The Director shall periodically hold energy technology demonstrations to

improve contact among technology developers, vendors, and acquisition personnel.

(c) FUND.—

(1) ESTABLISHMENT.—There is established in the Treasury of the United States a revolving fund, to be known as the ''Acceleration Fund for Research and Development of Energy Technologies'', consisting of—

(A) such amounts as are appropriated to the Fund under paragraph (5); and

(B) any interest earned on investment of amounts in the Fund under paragraph (3).

(2) EXPENDITURES FROM FUND.—

(A) IN GENERAL.—Subject to subparagraph (B), on request by the Director, the Secretary of the Treasury shall transfer from the Fund to the Director such amounts as the Director determines are necessary to carry out this section.

(B) ADMINISTRATIVE EXPENSES.—An amount not exceeding 5 percent of the amounts in the Fund shall be available for each fiscal year to pay the administrative expenses necessary to carry out this section.

(3) INVESTMENT OF AMOUNTS.—

(A) IN GENERAL.—The Secretary of the Treasury shall invest such portion of the Fund as is not, in the judgment of the Secretary of the Treasury, required to meet current withdrawals.

(B) INTEREST-BEARING OBLIGATIONS.—Investments may be made only in interest-bearing obligations of the United States.

(C) ACQUISITION OF OBLIGATIONS.—For the purpose of investments under subparagraph (A), obligations may be acquired—

(i) on original issue at the issue price; or

(ii) by purchase of outstanding obligations at the market price.

(D) SALE OF OBLIGATIONS.—Any obligation acquired by the Fund may be sold by the Secretary of the Treasury at the market price.

(E) CREDITS TO FUND.—The interest on, and the proceeds from the sale or redemption of, any obligations held in the Fund shall be credited to, and form a part of, the Fund.

(4) TRANSFERS OF AMOUNTS.—

(A) IN GENERAL.—The amounts required to be transferred to the Fund under this sub-

section shall be transferred at least monthly from the general fund of the Treasury to the Fund on the basis of estimates made by the Secretary of the Treasury.

(B) ADJUSTMENTS.—Proper adjustment shall be made in amounts subsequently transferred to the extent prior estimates were in excess of or less than the amounts required to be transferred.

(5) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to the Fund—

(A) $300,000,000 for fiscal year 2008;

(B) $500,000,000 for fiscal year 2009;

(C) $700,000,000 for fiscal year 2010;

(D) $900,000,000 for fiscal year 2011; and

(E) $1,000,000,000 for fiscal year 2012.

TITLE VI—INCREASING FEDERAL PUBLIC TRANSIT FUNDING AND EFFICIENCY INCENTIVES

SEC. 601. TRANSIT-ORIENTED DEVELOPMENT CORRIDORS.

(a) IN GENERAL.—In consultation with State transportation departments and metropolitan planning organi-

zations, the Secretary of Transportation shall designate, in urbanized areas, at least 20 transit-oriented development corridors by 2015 and 50 transit-oriented development corridors by 2025.

(b) TRANSIT GRANTS.—The Secretary shall award grants to a State or local governmental authority to carry out projects to construct or improve transit facilities, bicycle transportation facilities, and pedestrian walkways in a transit-oriented development corridor, including capital projects.

(c) RESEARCH AND DEVELOPMENT.—In order to support effective deployment of grants and incentives under this section, the Secretary shall establish a transit-oriented development corridors research and development program for the conduct of research on best practices and performance criteria for transit-oriented development corridors.

(d) LABOR STANDARDS.—The Secretary shall not award a grant to a State or local governmental authority for a project under this section unless the Secretary receives reasonable assurances from the State or local governmental authority that laborers and mechanics employed by contractors and subcontractors in the performance of construction or improvement for the project will be paid wages not less than those prevailing on similar

construction or improvement in the locality as determined by the Secretary of Labor under sections 3141 through 3144, 3146, and 3147 of title 40.

(e) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section $500,000,000 for each of fiscal years 2008 through 2017, of which $2,000,000 per fiscal year are authorized for the research and development program under subsection (c).

(f) DEFINITIONS.—In this section, the following definitions apply:

(1) DEFINITIONS FROM TITLE 49, UNITED STATES CODE.—The terms ''capital project'', ''local governmental authority'', ''mass transportation'', and ''urbanized area'' have the meanings such terms have under section 5302 of title 49, United States Code.

(2) STATE.—The term ''State'' means a State of the United States, the District of Columbia, Puerto Rico, the Northern Mariana Islands, Guam, American Samoa, and the United States Virgin Islands.

(3) TRANSIT-ORIENTED DEVELOPMENT CORRIDOR.—The term ''transit-oriented development corridor'' means rights-of-way for fixed-guideway mass transportation facilities, including commercial

development that is connected with any such facility physically and functionally.

SEC. 602. WEATHERIZATION ASSISTANCE.

Section 422 of the Energy Conservation and Production Act (42 U.S.C. 6872) is amended—

(1) by striking ''$500,000,000 for fiscal year 2006'' and inserting ''$1,000,000,000 for fiscal year 2008'';

(2) by striking ''$600,000,000 for fiscal year 2007'' and inserting ''$1,200,000,000 for fiscal year 2009''; and

(3) by striking ''$700,000,000 for fiscal year 2008'' and inserting ''$1,400,000,000 for fiscal year 2010''.

SEC. 603. FEDERAL SUPPORT FOR COMMERCIALIZATION OF NEW TECHNOLOGIES.

(a) PROGRAM.—The Secretary of Energy shall establish a program of support, through grants, low-interest loans, and loan guarantees, for the commercialization, including support for pilot projects, of new—

(1) renewable energy technologies;

(2) technologies for energy generation from fossil fuels that incorporate carbon sequestration; and

(3) energy efficiency technologies.

(b) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to the Secretary of Energy for carrying out this section $5,000,000,000.

SEC. 604. TELECOMMUTING TAX CREDIT.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to business related credits) is amended by adding at the end the following new section:

"SEC. 45N. TELECOMMUTING CREDIT.

''(a) DETERMINATION OF AMOUNT.—For purposes of section 38, the amount of the telecommuting credit determined under this section for the taxable year shall be equal to 40 percent of the qualified first-year wages for such year.

''(b) QUALIFIED FIRST-YEAR WAGES.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified first-year wages' means, with respect to any individual, qualified wages attributable to service rendered during the 1-year period beginning with the day the individual begins work for the employer.

''(2) QUALIFIED WAGES.—The term 'qualified wages' means the wages paid or incurred by the employer during the taxable year to qualified telecommuters.

''(3) ONLY FIRST $6,000 OF WAGES PER YEAR TAKEN INTO ACCOUNT.—The amount of the qualified first-year wages which may be taken into account with respect to any individual shall not exceed $6,000 per year.

''(c) QUALIFIED TELECOMMUTER.—For purposes of this section, the term 'qualified telecommuter' means any individual who renders not less than 40 percent of the service described in subsection (b)(1) from the individual's principal residence.

''(d) WAGES.—For purposes of this section—

''(1) IN GENERAL.—The term 'wages' has the meaning given to such term by subsection (b) of section 3306 (determined without regard to any dollar limitation contained in such section).

''(2) ON-THE-JOB TRAINING AND WORK SUPPLEMENTATION PAYMENTS.—

''(A) EXCLUSION FOR EMPLOYERS RECEIVING ON-THE-JOB TRAINING PAYMENTS.—The term 'wages' shall not include any amounts paid or incurred by an employer for any period to any individual for whom the employer receives federally funded payments for on-the-job training of such individual for such period.

''(B) REDUCTION FOR WORK SUPPLEMENTATION PAYMENTS TO EMPLOYERS.—The amount of wages which would (but for this subparagraph) be qualified wages under this section for an employer with respect to an individual for a taxable year shall be reduced by an amount equal to the amount of the payments made to such employer (however utilized by such employer) with respect to such individual for such taxable year under a program established under section 482(e) of the Social Security Act.

''(e) SPECIAL RULES.—For purposes of this section, rules similar to the rules of section 52 and subsections (f), (g), (i), (j), and (k) of section 51 shall apply.''.

(b) CREDIT TREATED AS BUSINESS CREDIT.—Section 38(b) of such Code is amended by striking ''and'' at the end of paragraph (29), by striking the period at the end of paragraph (30) and inserting '', and'', and by adding at the end the following new paragraph:

''(31) the telecommuting credit determined under section 45N(a).''.

(c) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1

of such Code is amended by adding at the end the following new item:

"Sec. 45N. Telecommuting credit.".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2006.

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